Renewable Energy Taskforce
Pilot Program for the Procurement of SRECs
May 25, 2012

Priority Question for the Taskforce to Consider:

- What should be the process for making future decisions that have competitive implications, such as allocating SREC quantities among tiers and setting prices?

Design Goals:

1. Minimize costs

- How can the program be designed to minimize ratepayer costs given the other objectives set forth in REPSA?

2. Maximize in-state generation and manufacturing

- How can the program be designed with regard to the objective of "maximizing in-state solar renewable energy generation and local manufacturing," recognizing that REPSA includes 10% bonus provisions for in-state workforce and manufactured content?

3. Market Stability

- How can we avoid boom/bust cycles?
- How do we meet long term targets?
- How can we stay under price caps?
- How do we avoid structural oversubscription?

Overall Design Elements:

1. Definition of Existing vs. New	***Straw-man proposal***
A. What is the definition of "new" vs. "existing"?	*Eligible new systems are systems with final interconnection approval after the first date of the preceding auction process (April 2, 2012).*
2. Overall auction structure	***Straw-man proposal***
A. Why should owners bid through an aggregator?	*Optional, but not required.*
B. Is there sufficient site control to prevent speculation?	*As is. The use of bid deposits and inclusion of parcel numbers on the application is sufficient.*
C. Market dominance issues.	*As is. Dale Davis: If procurement structure changes this may need re-visiting.*
3. Overall size of the next procurement and impacts on future years	***Straw-man proposal***
A. How many SRECs should be procured in total relative to projected need for SRECs (including concerns of boom/bust, 3rd party transfer contracts, and cost caps)?	
B. How to allocate the total SREC procurement between existing vs. new systems?	
C. How many auctions to have in the next compliance year?	*One auction per compliance year for now due to small size of overall procurement meaning that the transaction costs would be too high relative to procurement and the amount bid per tier would be too small.*

Design Elements, New Systems:

4. Tier size and allocation	***New Systems: Straw-man proposal***
A. Should procurements continue to be by tier?	*Yes, best way to meet statutory requirements for economic viability of systems of different sizes.*
B. If so, how many should there be? What should be the dividing line between different tiers?	*3 tiers:* *Tier 1: 0 to 30 kW* *Tier 2: 30 to 200 kW* *Tier 3: 200 kW to 2 MW*
C. How to allocation the new system SRECs among the tiers?	
5. Pricing	***New Systems: Straw-man proposal***
A. Should SREC prices be set by competitive bidding, administratively-set pricing, or some combination of the two?	*Prices for smaller systems would be linked to auction prices in larger tiers by a percentage or fixed amount.* *Current proposal:* *- Tier 1 admin price set at 110% of Tier 2 weighted average winning bid.* *- Tiers 2 and 3 competitively bid.*
B. Treatment of systems with different grant values?	*For all tiers (competitive and administrative), grant amounts will not be considered.*
6. Long term contracts	***New Systems: Straw-man proposal***
A. What should be the contract length? (7, 10, 15, 20 years?)	
B. What happens to SRECs after the contract?	
C. How to ensure production in later years? (Enforcement? Low prices?)	
D. Minimum production requirement with penalties for under-production for each tier?	
7. Auction Structure	***New Systems: Straw-man proposal***
A. Meeting statutory objective of "maximizing in-state solar renewable energy generation and local manufacturing."	
B. What should be the production bands for each tier?	
C. Partial fills	*Partial fill systems would be allowed to bid in future procurements in tiers based on their initial system size. Systems would first transfer SRECs at the lower accepted SREC each year. Proposed systems would install dual meters.*
D. Should systems be allowed to bid into more than one tier both for bidding up in size and for modifying the system plan?	*New systems can bid into more than one tier with different project proposals on the same property/facility. However, systems of smaller sizes cannot bid in larger tiers. Systems must bid in only their tier.*
E. How to treat system additions?	

Design Elements, Existing Systems:

8. Tier size and allocation	***Existing Systems: Straw-man proposal***
A. Should procurements continue to be by tier?	*Perhaps.*
B. If so, how many should there be? What should be the dividing line between different tiers?	*Two current proposals:* *Option 1: No tiers.* *Option 2: Two tiers with a likely breakpoint of 25kW.* **Pending review of histogram of existing systems.*
C. How to allocation the existing system SRECs among the tiers?	*Distributed proportional to the current makeup of the existing systems.*
9. Pricing	***Existing Systems: Straw-man proposal***
A. Should SREC prices be set by competitive bidding, administratively-set pricing, or some combination of the two?	*No. All competitive bidding.*
B. Treatment of systems with different grant values?	*For all tiers, grant amounts will not be considered.*
10. Long term contracts	***Existing Systems: Straw-man proposal***
A. What should be the contract length? (5, 7, 10, 15, 20 years?)	
B. What happens to SRECs after the contract?	
C. How to ensure production in later years? (Enforcement? Low prices?)	
D. Minimum production requirement with penalties for under-production for each tier?	
11. Auction Structure	***Existing Systems: Straw-man proposal***
F. Meeting statutory objective of "maximizing in-state solar renewable energy generation and local manufacturing."	*Nothing beyond the existing multipliers for the existing systems.*
G. What should be the production bands for each tier?	
H. Partial fills	*Same as for new systems.*
I. Should systems be allowed to bid into more than one tier? [New question]	*Not for existing systems.*